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C O N F I D E N T I A L SECTION 01 OF 02 ABUJA 001956

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E.O. 12958: DECL: 10/02/2028

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SUBJECT: CHEVRON ON BUNKERING AND SECURITY, GAS FLARING,  
SECTOR LEADERSHIP AND LABOR RELATIONS

Classified By: Economic Counselor Bob Tansey, reasons 1.4. (b & d).

11. (C/NF) SUMMARY: Chevron Nigeria Chairman and Managing Director Fred Nelson told Ambassador on September 25 that the Joint Task Force has put a stop to illegal bunkering in and around Chevron's onshore operations. He noted that increased supplies of gas from the Escravos field have not led to a matching increase in electricity production. Nelson said he understood that the present Minister of State and the Presidential Advisor on Petroleum were under consideration to head the new Ministry for Oil and Gas, though the former, an attorney, was also under consideration for Minister of Justice. A senior industry executive had reportedly conveyed that he was not interested in the cabinet post. While doing business issues remained difficult, there have been bright spots at the Department of Petroleum Resources and Customs lately. The GON is trying to enforce a "dialogue" on allocations of natural gas for domestic use, but those discussions were sometimes divorced from reality. Eliminating flaring will become more difficult as Chevron and other operators begin to address smaller more isolated fields. Chevron's union problems were beginning to settle down; the companies Nigerian employees' compensation now approaches that of U.S. oil field workers. END SUMMARY.

12. (C/NF) Chevron Nigeria Chairman/MD Fred Nelson called on the Ambassador at the Embassy on September 25 to report on latest company and industry developments. Econ Counselor also attended. Nelson said that under the leadership of Joint Task Force (JTF) Commander Brig. General Wuyep Rimtip illegal bunkering had been brought to a halt in and around the Chevron onshore producing areas for the past five months. Rimtip had taken over in the February to March period and since May there had been only minor incidents. Bunkering vessels could no longer be seen from company aircraft shuttling personnel to and from Chevron sites in the area. Chevron has increased gas supplies from the Escravos field, but as there has not been a corresponding increase in electricity output Nelson assumed that either gas was displacing diesel use or the additional gas was going to industrial use rather than for power production. He agreed that overall power generation was about three thousand megawatts in recent weeks after having fallen below one thousand MW on some days not long ago, but stated that most of the increase was due to seasonal increases in water levels with resulting higher production of hydropower.

13. (C/NF) In another positive production development, Nelson relayed that Chevron's new Agbami offshore facility is now on

line. More generally, the quality of local Nigerian services contractors was improving. Chevron is building up from 2500 workers on the ground to a planned level of 6000. Chevron has also made significant progress in capturing previously flared natural gas, but that progress would slow as the company attempted to reduce flaring from smaller more isolated fields. Nigeria was badly in need of gas gathering infrastructure and some fields with flared gas may have to be shut in for the time being as the cost of field-specific networks would likely be uneconomic for some smaller fields isolated from existing or larger gathering lines. It may take until 2012-13 to fully resolve the problem of flared gas. Until Nigeria has more extensive gathering infrastructure in place, unfortunately the country was "one bomb away from 100 percent flaring" because gathering of flared gas ultimately was dependent on a single major natural gas pipeline, at least for the time being.

14. (C/NF) While Chevron's operations were moving forward in Delta State those in Rivers remained shut-in. Chevron is bigger in Delta than in Rivers. Nelson noted that lack of security in Rivers State kept Shell pipelines there shut down. He said Shell crews operated in Rivers only during daylight hours. Shell was flying its people in and out every day; otherwise the JTF would not stay in place to protect unmanned facilities. Nelson said that in Bayelsa State militants under "Boyloaf" had been wounded and Governor Sylva had "been throwing more money" at various militants to keep down the level of violence.

15. (C/NF) Nelson passed on rumors he was hearing about

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candidates to lead the new combined ministry for oil and gas.

Those included Special Advisor to the President on Petroleum Matters and Chairman of Emerald Oil Dr. Emmanuel Egbogah, former head of Emerald Oil, and the current Minister of State for Oil Odein Ajumogobia, though the latter, an attorney, may be slated to be Justice Minister, Nelson said. Dr. Egbogah was a nice guy, though his professional frame of reference was Petronas and Canada rather than U.S. companies, Nelson commented. He had also heard that Shell's Country Chair Basil Omiyi was under consideration but that the Shell executive had made it known that he was not interested in a ministerial position.

16. (C/NF) Like other international firms operating in Nigeria, Chevron continues to experience difficulties with everyday business issues. That said, the current acting head of the Department of Petroleum Regulation and the new head of Customs had been very helpful in specific instances lately. Minister of State for Gas Odusina had proven less competent, Nelson said. He described a meeting with the MOS earlier that day right after the Ambassador's own meeting with Odusina (reported septel) in which the MOS simply demanded that the operators provide gas allocations for domestic use, without considering tangible factors such as GON failure to provide pipelines or other infrastructure to receive the gas.

Chevron was following a Senate inquiry into its gas to liquids project. Funding from the Nigerian National Petroleum Company (NNPC) remained a problem, with only \$4.5 billion of NNPC's \$8 billion in joint venture obligations currently funded. Chevron still had not seen any detailed plans for the reorganization of NNPC, though reportedly those are under internal government review. He characterized NNPC present MD as "weak," and predicted he would be replaced in the pending Cabinet reshuffle. He understood that the person who will head the new Niger Delta Ministry will appoint a new chair of the Niger Delta Development Commission. He opined that if NDDC is under the new ministry the latter will be seen as "lucrative." Nelson reported that Omiyi of Shell had said, "Let the companies operate their own three percent programs and get rid of NDDC," but that wasn't going to happen. Hanging over all the energy issues were the questions of the President's health, Nelson said, stating "the President is never seen and is not projecting a vision."

¶17. (C) Nelson said that Chevron's months-long labor disputes were moving towards final resolution, though that would likely require the GON telling the unions that it was time to move on. Although "prayer meetings" outside Chevron's Lagos offices had been suspended, Nelson was currently working from the company's Abuja offices until things cooled off. He said the unions had made him a scapegoat to justify unreasonable demands. He noted that compensation for Chevron's Nigerian workers was now almost equal to that earned by U.S.-based oil field workers.

¶18. (U) This message was coordinated with Consulate Lagos.  
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